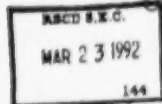




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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

144
K3/rw
K92-2238

(Mark One)
☒ [X]

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

[]

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number ~~33-36890~~ 0-19817

MACGREGOR SPORTS AND FITNESS, INC.

(Exact name of registrant as specified in its charter)

PROCESSED BY

Minnesota
(State or other jurisdiction
of incorporation or organization)

41-1652566
(I.R.S. Employer
Identification)

14/14:R
MAR 27 1992

Microfilmed by

Q-Data Corp. - St. Petersburg, FL

324 Standing Springs Court, Simpsonville, SC 2968

(Address of principal executive office) (Zip Code)

(803) 963-8200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Applicable Only to Corporate Issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,366,483 common shares, par value \$.02 per share, outstanding at March 13, 1992.

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MACGREGOR SPORTS AND FITNESS, INC.
AND SUBSIDIARY

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MACGREGOR SPORTS AND FITNESS, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

JANUARY 31, 1992 AND JULY 31, 1991

ASSETS

	<u>January 31, 1992</u> (Unaudited)	<u>July 31, 1991</u>
Current assets:		
Cash and cash equivalents	\$ 669,517	\$ 2,017,818
Interest receivable		32,397
Accounts receivable, net	762,029	
Note receivable, officer	12,700	
Inventories (Note 3)	428,148	
Receivable from related party	8,061	
Prepaid expenses	181,825	5,917
Acquisition costs		<u>54,506</u>
	<u>2,062,280</u>	<u>2,110,638</u>
Property and equipment:		
Office furniture and equipment	71,011	
Less accumulated depreciation	<u>(12,784)</u>	
	<u>58,227</u>	
Other assets:		
Trademarks and license agreements	7,687,070	
Loan costs:		
Related party	337,500	
Other	194,508	
Organizational costs	264,322	2,500
Less accumulated amortization	<u>(485,738)</u>	<u>(792)</u>
	<u>7,997,662</u>	<u>1,708</u>
	<u>\$10,118,169</u>	<u>\$ 2,112,346</u>

(continued)

See notes to consolidated financial statements.

MACGREGOR SPORTS AND FITNESS, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 1992 AND JULY 31, 1991

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>January 31, 1992</u> (Unaudited)	<u>July 31, 1991</u>
Current liabilities:		
Revolving line of credit	\$ 1,059,666	
Notes payable, shareholders	950,156	
Investment fees payable to related party	281,500	
Accounts payable and accrued expenses	182,478	\$ 16,208
Term loan (Note 4)	<u>1,750,010</u>	
Total current liabilities	<u>4,223,810</u>	<u>16,208</u>
Class A 10% mandatory redeemable convertible preferred stock, liquidation preference \$610,000 plus unpaid dividends, if and when declared; 610 shares issued and outstanding	<u>610,000</u>	
Class B 10% mandatory redeemable convertible preferred stock, liquidation preference \$385,000 plus unpaid dividends, if and when declared; 385,000 shares issued and outstanding	<u>385,000</u>	
Shareholders' equity:		
Common stock, par value \$.02; authorized 25,000,000 shares, issued and outstanding 6,366,483 shares at January 31, 1992, and 2,450,000 shares at July 31, 1991	127,330	49,000
Additional paid-in capital	6,270,586	2,059,038
Warrants	100	100
Deficit	<u>(1,498,657)</u>	<u>(12,000)</u>
	<u>4,899,359</u>	<u>2,096,138</u>
	<u>\$10,118,169</u>	<u>\$ 2,112,346</u>

See notes to consolidated financial statements.

MACGREGOR SPORTS AND FITNESS, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS AND SIX MONTHS ENDED
JANUARY 31, 1992 AND 1991
(UNAUDITED)

	Three Months Ended January 31, <u>1992</u>	Six Months Ended January 31, <u>1992</u>	Three Months Ended January 31, <u>1991</u>	Six Months Ended January 31, <u>1991</u>
Sales (Note 2)	\$ 807,623	\$1,457,938		
Cost of sales (Note 2)	<u>(622,940)</u>	<u>(1,110,707)</u>		
Gross profit	<u>184,683</u>	<u>347,231</u>		
Operating expenses:				
General and administrative	487,132	831,934	\$ 36,651	\$ 57,287
Depreciation and amortization	170,352	386,754	125	250
Merger costs	317,815	342,815		
Start-up costs		<u>18,989</u>		
	<u>975,299</u>	<u>1,580,492</u>	<u>36,776</u>	<u>57,537</u>
Operating loss	<u>(790,616)</u>	<u>(1,233,261)</u>	<u>(36,776)</u>	<u>(57,537)</u>
Other income (expense):				
Interest income	16,477	46,809	30,742	44,542
Interest expense:				
Related parties	(2,100)	(26,135)		
Other	<u>(95,430)</u>	<u>(193,664)</u>		
	<u>(81,053)</u>	<u>(172,990)</u>	<u>30,742</u>	<u>44,542</u>
Net loss	<u>\$ (871,669)</u>	<u>\$ (1,406,251)</u>	<u>\$ (6,034)</u>	<u>\$ (12,995)</u>
Loss per common share:				
Primary	\$ (.14)	\$ (.22)	*	*
Fully diluted (Note 5)	--	--	--	--
Weighted average number of common shares	6,879,512	6,879,512	2,450,000	2,450,000

* Less than (\$.01) per share.

See notes to consolidated financial statements.

**MACGREGOR SPORTS AND FITNESS, INC.
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JANUARY 31, 1992 AND 1991
(UNAUDITED)**

	<u>1992</u>	<u>1991</u>
Net cash used in operating activities	\$ (1,168,962)	\$ (35,259)
Cash flows from investing activities:		
Purchase of property and equipment	(1,045)	
Purchase of trademarks and license agreements	<u>(41,623)</u>	
Net cash used in investing activities	<u>(42,668)</u>	
Cash flows from financing activities:		
Acquisition of loan costs	(3,043)	
Net borrowings under line-of-credit arrangement	715,327	
Proceeds from issuance of notes payable, shareholders	877,648	
Principal payments of notes payable, shareholders	(299,483)	
Principal payments under term loan	(1,749,990)	
Proceeds from issuance of stock	321,000	1,317,956
Proceeds from issuance of warrants	<u> </u>	<u>100</u>
Net cash provided by (used in) financing activities	<u>(138,541)</u>	<u>1,318,056</u>
Increase (decrease) in cash and cash equivalents	(1,350,171)	1,282,797
Cash and cash equivalents, beginning of period	<u>2,019,688</u>	<u>770,499</u>
Cash and cash equivalents, end of period	<u>\$ 669,517</u>	<u>\$2,053,296</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	<u>\$ 220,909</u>	

Supplemental disclosure of noncash investing and financing activities:
During the six months ended January 31, 1992, the Company expensed, in accordance with the Merger Agreement dated August 30, 1991, \$54,506 in acquisition costs previously capitalized.

The Company incurred an \$875,010 note payable to a shareholder, for payments made by the shareholder on the Company's behalf on the term loan.

The Company converted \$54,500 in notes payable to a shareholder to common stock.

MACGREGOR SPORTS AND FITNESS, INC.

AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS AND SIX MONTHS ENDED JANUARY 31, 1992
(UNAUDITED)

1. The interim financial statements:

The interim financial statements have been prepared by MacGregor Sports and Fitness, Inc. ("MSF" and the "Company") and, in the opinion of management, reflect all material adjustments which are necessary to a fair statement of results for the interim periods presented. Certain information and footnote disclosures made in the last annual report on Form 10-K have been condensed or omitted for the interim statements. It is the Company's opinion that, when the interim statements are read in conjunction with the July 31, 1991, annual report on Form 10-K and the Joint Proxy Statement-Memorandum dated December 3, 1991, the disclosures are adequate to make the information presented not misleading.

2. Organization:

Sports Acquisition Corporation was formed in February, 1991, and on May 9, 1991, it acquired certain assets of MacGregor Sporting Goods, Inc. in bankruptcy court. On December 30, 1991, a merger was consummated with Vida Ventures, Inc. ("Vida"), a publicly held "blind pool" established in November, 1989, for the purpose of future acquisition of an operating company. Vida was the surviving legal entity, however, the transaction was accounted for as the reverse acquisition of a blind pool, with the Company being accounted for as the continuing entity.

The acquisition has been accounted for in accordance with Securities and Exchange Commission Staff Accounting Bulletin Topic 2A, whereby the shares of stock shown on the financial statements represent the shares of stock of Vida increased by the shares of stock issued to MSF shareholders, and adjusted for the one-for-two reverse split discussed in the Joint Proxy Statement-Memorandum. The assets of both entities recorded in the financial statements have been recorded at their historical cost, with no write-up resulting from the merger, and costs incurred in the merger have been expensed. The financial statements include the results of operations of Vida for the three and six months ended January 31, 1991, and the combined operations of the component corporations for the three and six months ended January 31, 1992. Prior filings consisted of the operations of Vida only.

MACGREGOR SPORTS AND FITNESS, INC.

AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS AND SIX MONTHS ENDED JANUARY 31, 1992
(UNAUDITED)

3. Inventories:

At July 31, 1991, inventory consisted of \$490,082 purchased May 9, 1991, ("old" inventory) (Note 1) and \$131,241 purchased subsequent to that date ("new" inventory). At January 31, 1992, inventory consisted of approximately \$70,000 in old inventory and \$358,000 of new. Separate disclosure of sales and cost of sales information for old and new inventory for the six months ended January 31, 1992, is as follows:

	<u>Old</u>	<u>New</u>	<u>Total</u>
Sales	\$ 619,928	\$ 838,010	\$ 1,457,938
Cost of sales	<u>502,974</u>	<u>607,733</u>	<u>1,110,707</u>
	<u>\$ 116,954</u>	<u>\$ 230,277</u>	<u>\$ 347,231</u>

4. As the Company is not in compliance with certain debt covenant restrictions, the term loan is classified in its entirety as a current liability.
5. Fully diluted loss per share is not presented because it is anti-dilutive.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- **Introduction:**

On December 30, 1991, Vida Venture, Ltd. and Sports Acquisition Corporation consummated a merger as fully described in their Joint Proxy Statement-Memorandum dated December 3, 1991. The Company adopted the name MacGregor Sports and Fitness, Inc. (MSF). The Company operates through its wholly owned subsidiary, MacGregor Sports Products, Inc. (MSPI). The merger was accounted for as the reverse acquisition of a blind pool, and the assets recorded by the Company represent the assets of SAC and Vida at historical cost to each predecessor entity. Costs of the merger were expensed as of December 30, 1991. The Companies retained the fiscal year of Vida of July 31 for financial reporting and income tax purposes.

- **Results of Operations:**

Due to the merger of SAC and Vida (now MSF) a comparison of results for the three and six months ended January 31, 1992, to the similar periods of the preceding year are not meaningful. Additionally, SAC did not begin operations until May 9, 1991. Consequently, this section will analyze the operations of the three and six month periods ended January 31, 1992, only.

Sales during the three months ended January 31, 1992, of \$807,623 represent an increase of 24 percent from sales during the preceding three months of \$650,315. As management is able to reestablish the credibility of the MacGregor name, it anticipates that sales will continue to improve. Cost of sales has been negatively impacted by the sale of inventory acquired at the beginning of operations in May of 1991. The gross profit on sales of that inventory was 19 percent compared to a gross profit on sales of inventory acquired after inception of 27 percent.

General and administrative expenses were 60 percent and 57 percent of sales, respectively, for the three and six months ended January 31, 1992, as the Company has found it necessary to incur administrative costs at a level to support expanded operations. Merger costs and start-up costs of \$317,815 and \$361,804 during the three and six month periods ended January 31, 1992, respectively, reflect non-recurring costs applicable to the initial start up of SAC and the merger of SAC and Vida.

- **Liquidity and Financial Resources:**

At January 31, 1992, the Company had cash of approximately \$670,000 plus a revolving credit facility of \$3,250,000 of which approximately \$1,060,000 is utilized. During the six months ended January 31, 1991, the Company reduced its term bank loan by approximately \$1,750,000. In February, 1992, the Company sold a portion of its rights under the MacGregor licensing agreement for \$1,500,000. Management estimates that these rights, representing the institutional market, would account for

• Liquidity and Financial Resources (continued):

approximately 7 to 10 percent of its total market. Upon closing, the Company received \$1,000,000 in cash, and \$500,000 will be received by April, 1992. Of the initial payment \$900,000 was applied to reduce the bank term loan, and the remaining \$500,000 payment will also be applied to the loan. Consequently, at April, 1992, the Company will owe only \$350,000 under the term loan agreement.

Management is currently involved with aggressive pricing strategies aimed at achieving market penetration and revitalization of the MacGregor name for the retail market. These strategies may negatively affect gross profit realization in the near term, but management believes the long-term effects will be beneficial and that these strategies are essential to the overall goal of building brand awareness. Energy has been devoted to new products both in the youth retail market (including foam balls, bats, batting tees, velcro baseball gloves, toy basketball sets, etc.) as well as fitness equipment and bicycles. Management believes that, due to the manufacturing and sales lag time, these new products will not begin to have a material effect on sales until the third and fourth calendar quarters of 1992. Sales of inflatable sports products, as well as baseball related items, have contributed the bulk of the Company's sales, and steady growth in these products is anticipated as the Company completes production agreements with its suppliers.

In spite of the loss incurred during the six months ended January 31, 1992, management believes it has the financial resources necessary for at least the next twelve months, and that the product line expansion should be contributing increased sales and cash flow by late 1992.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings:

None.

Item 2. Changes in Securities:

In connection with the merger of Sports Acquisition Corporation with and into Vida Ventures, Ltd., on December 30, 1991, the registrant effected a reverse split of its common shares in a ratio of one share for two shares. The number of outstanding warrants to purchase common shares was consequently reduced by half to 920,000 warrants, and the warrant purchase price of the 800,000 publicly issued warrants was increased from \$3.00 to \$6.00.

The liquidation rights of the Common Shares of the registrant have been modified as a result of the designation and issuance by the registrant to two classes of preferred shares. The registrant has outstanding 610 Class A Convertible Preferred Shares, with a liquidation preference of \$1,000 per share, and 385,000 Class B Convertible Preferred Shares, with a liquidation preference of \$1.00 per share. The liquidation rights of the preferred shares are prior to those of the common shares.

Item 3. Default upon Senior Securities:

None.

Item 4. Submission of Matters to a Vote of Security-Holders:

- (a) A special meeting of the shareholders of the registrant was held on December 27, 1991.
- (b) The following individuals were elected at the meeting as members of the Board of Directors of the registrant: Michael S. Casazza, Robert C. Engelstad, Henry Fong, David C. Johnston, and Edward E. Shake.

Part II - Other Information

Item 4. Submission of Matters to a Vote of Security-Holders (continued):

- (c) The other matters voted on at the meeting, and the number of affirmative votes and the number of negative votes cast with respect to each such matter are as follows (number are pre-reverse split):

1. Proposal to approve and adopt the Merger Agreement by and between Vida Ventures, Ltd., Sports Acquisition Corporation, and MacGregor Sports Products, Inc.

FOR	3,179,450	AGAINST	76,000
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2. Proposal to amend Vida's Articles of Incorporation to effect a reverse stock split, designate two classes of preferred shares, and change the name of Vida to MacGregor Sports and Fitness, Inc.

FOR	3,309,450	AGAINST	76,000
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3. Proposal to adopt the Vida Stock Option Plan.

FOR	3,033,775	AGAINST	209,675
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Item 5. Other Information:

None.

Item 6. Exhibits and Reports on Form 8-K:

- (a) Exhibits.
None.

- (b) Reports on Form 8-K.

A Current Report on Form 8-K dated December 30, 1991, was filed to report the merger of Sports Acquisition Corporation with and into the registrant. Items reported were: Item 1. Changes in Control of the Registrant; Item 2. Acquisition or Disposition of Assets; Item 6. Resignations of Registrant's Directors; and Item 7. Financial Statements and Exhibits. The following financial statements were filed with such Form 8-K:

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K (continued):

(b) Reports on Form 8-K (continued).

- 1) Financial statements of Sports Acquisition Corporation and its subsidiary:
 - a) Audited financial statements for the period from February 12, 1991 (Inception) through July 31, 1991;
 - b) Compiled financial statements for the period ended October 31, 1991.
- 2) Pro forma financial statements of the merged company (MacGregor Sports and Fitness, Inc.) and notes thereto.

The registrant filed an Amendment on Form 8 to its Current Report on Form 8-K. Such Amendment contained unaudited consolidated financial statements of Sports Acquisition Corporation for the three-month period ended October 31, 1991.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MACGREGOR SPORTS AND FITNESS, INC.

Date March 19, 1992

By Michael S. Casazza
Michael S. Casazza
President

Date March 19, 1992

By Leo Conlan
Leo Conlan
Treasurer
(principal financial officer)